

**CASCADE MUNICIPAL UTILITIES  
(COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)**

**INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2012**

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# CASCADE MUNICIPAL UTILITIES

## OFFICIALS

(Before April, 2012)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Clay Gavin	Chairman	Mar. 31, 2012
Merlin McDermott	Trustee	Mar. 31, 2014
Alan Reiter	Trustee	Mar. 31, 2016
Ron Benke	Utility Manager	Indefinite

(After March, 2012)

Clay Gavin	Chairman	Mar 31, 2018
Merlin McDermott	Trustee	Mar 31, 2014
Alan Reiter	Trustee	Mar 31, 2016
Ron Benke	Utility Manager	Indefinite

# Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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Elkader, Iowa 52043

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Cascade Municipal Utilities:

We have audited the accompanying financial statements of the business type activities, and each major fund of Cascade Municipal Utilities, component unit of the city of Cascade, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the Utilities' basic financial statements listed in the table of contents. These financial statements are the responsibility of Cascade Municipal Utilities' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities and each major fund of Cascade Municipal Utilities as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2012 on our consideration of Cascade Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report

is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cascade Municipal Utilities basic financial statements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cascade Municipal Utilities basic financial statements. The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 10 and 21 through 22 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or any other form of assurance on it.

Elkader, Iowa

December 4, 2012



Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

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# ***CASCADE MUNICIPAL UTILITIES***

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Chairman: Clay Gavin  
Utilities Manager:  
Ron Benke

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P.O. Box 400  
Cascade, IA 52033  
Phone 563-852-3614  
Fax: 563-852-7554  
cmu@netins.net

Board of Trustees:  
Alan Reiter  
Merlin McDermott

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Cascade Municipal Utilities provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the Utilities' financial statements which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- Receipts of the Utilities' business type activities decreased 7.4%, or approximately \$ 218,000, from fiscal year 2011 to fiscal year 2012.
- Disbursements of the Utilities' business type activities decreased 38.7%, or approximately \$ 1.672 million, in fiscal year 2012 from fiscal year 2011. Capital projects disbursements decreased approximately \$ 1.158 million and debt service disbursements decreased approximately \$ 309,000.
- The Utilities' total cash basis net assets increased 7.0%, or approximately \$ 141,000 from June 30, 2011 to June 30, 2012.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utilities' financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the Utilities as a whole and presents an overall view of the Utilities' finances.

The Fund Financial Statement tells how government services were financed in the short term as well as what remains for future spending. The fund financial statement reports the Utilities' operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the Utilities' budget for the year.

Supplementary Information provides detailed information about the Utilities' long-term debt.

## **BASIS OF ACCOUNTING**

The Utilities maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Utilities are prepared on that basis. The cash basis of accounting does not give effect to accounts receivables, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE UTILITIES' FINANCIAL ACTIVITIES**

### **Government-wide Financial Statement**

One of the most important questions asked about the Utilities' finances is "Is the Utility, as a whole, better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the Utilities' net assets. Over time, increases or decreases in the Utilities' net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Statement of Activities and Net Assets includes only business type activities. Business type activities include the electric works and natural gas system. These activities are financed primarily by user charges.

### **Fund Financial Statements**

The Utilities has only proprietary funds. Proprietary funds account for the Utilities' Enterprise Funds. Enterprise Funds are used to report business type activities. The Utilities maintains two Enterprise Funds to provide separate information for the electric and gas funds, considered to be major funds of the Utilities.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The Utilities' cash balance for business type activities increased from a year ago, increasing from approximately \$ 2.122 million to approximately \$ 2.262 million. The analysis that follows focuses on the changes in cash balances for business type activities:

### Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Receipts:		
Program receipts:		
Charges for service:		
Electric	\$ 1,806	1,847
Gas	908	1,085
General receipts:		
Unrestricted interest on investments	25	15
Revenue note proceeds	0	2,275
Miscellaneous	51	52
Total receipts	<u>2,790</u>	<u>5,274</u>
Disbursements:		
Electric	1,983	3,536
Gas	667	786
Total disbursements	<u>2,650</u>	<u>4,322</u>
Change in cash basis net assets	140	952
Cash basis net assets beginning of year	<u>2,122</u>	<u>1,170</u>
Cash basis net assets end of year	<u>\$ 2,262</u>	<u>2,122</u>



Total business type activities receipts for the fiscal year were approximately \$ 2.790 million compared to approximately \$ 5.274 million last year. This decrease was primarily due to the issuance of \$ 2.275 million of revenue notes in 2011. The cash balance increased approximately \$ 140,000. Total disbursements for the fiscal year decreased 38.7% to approximately \$ 2.650 million. This decrease was the result of the completion of the electrical substation.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Enterprise, Electric Fund cash balance decreased \$ 120,836 to \$ 1,006,108, due to the completion of the electrical substation.

The Enterprise, Gas Fund cash balance increased \$ 261,311 to \$ 1,256,255, which approximates the \$ 322,533 increase from fiscal 2011.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the Utilities did not amend its budget.

The Utilities' receipts were \$ 127,333 less than budgeted. Disbursements were \$ 176,347 less than budgeted.

## **DEBT ADMINISTRATION**

At June 30, 2012, the Utilities had \$ 2,015,000 in revenue notes outstanding as compared to \$ 2,145,000 last year.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Cascade Municipal Utilities' appointed officials and citizens considered many factors when setting the fiscal year 2013 budget and fees charged for various Utilities' activities. One of those factors is the economy. Over the last 40 years, Cascade's population has increased 415 to 2159 and that trend is expected to continue. The local economy seems to be improving as sales tax receipts have increased slightly.

These indicators were taken into account when adopting the budget for fiscal year 2013. Disbursements are budgeted to increase \$ 302,007 from the final fiscal year 2012 budget.

If these estimates are realized, the Utilities' budgeted cash balance is expected to increase approximately \$ 199,000 by the close of fiscal year 2013.

## **CONTACTING THE UTILITIES' FINANCIAL MANAGEMENT**

This financial report is designed to present our customers, investors and creditors with a general overview of the Utilities' finances and to show the Utilities' accountability of the money it receives. If you have questions about this report, or need additional financial information, contact Ron Benke, Utility Manager; 320 1<sup>st</sup> Avenue West, PO Box 400; Cascade, Iowa 52033-0400.

## BASIC FINANCIAL STATEMENTS

CASCADE MUNICIPAL UTILITIES  
 (COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
 STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
 As of and for the Year Ended June 30, 2012

	<u>Disbursements</u>	<u>Program Receipts Charges For Service</u>	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets Business Type Activities</u>
Functions/Programs:			
Business type activities:			
Electric	\$ 1,983,367	1,805,533	(177,834)
Gas	<u>666,630</u>	<u>908,362</u>	<u>241,732</u>
Total business type activities	<u>\$ 2,649,997</u>	<u>2,713,895</u>	<u>63,898</u>
General Receipts:			
Unrestricted interest on investments			25,481
Miscellaneous			<u>51,096</u>
Total general receipts			<u>76,577</u>
Change in cash basis net assets			140,475
Cash basis net assets beginning of year, as restated			<u>2,121,888</u>
Cash basis net assets end of year			<u>\$ 2,262,363</u>
Cash Basis Net Assets:			
Restricted			
Nonexpendable:			
Utility deposits			\$ 54,434
Expendable:			
Debt service			230,587
Unrestricted			<u>1,977,342</u>
Total cash basis net assets			<u>\$ 2,262,363</u>

See notes to financial statements.

CASCADE MUNICIPAL UTILITIES  
 (COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 PROPRIETARY FUNDS  
 As of and for the Year Ended June 30, 2012

	Enterprise Funds		
	Electric	Gas	Total
Operating receipts:			
Charges for service	\$ 1,805,533	908,362	2,713,895
Disbursements:			
Business type activities	<u>1,580,781</u>	<u>666,630</u>	<u>2,247,411</u>
Excess of operating receipts over operating disbursements	<u>224,752</u>	<u>241,732</u>	<u>466,484</u>
Non-operating receipts (disbursements):			
Interest on investments	13,503	11,978	25,481
Miscellaneous	41,566	5,308	46,874
Meter deposits, net	1,929	2,293	4,222
Capital projects	(209,233)	0	(209,233)
Debt service	<u>(193,353)</u>	<u>0</u>	<u>(193,353)</u>
Net non-operating receipts (disbursements)	<u>(345,588)</u>	<u>19,579</u>	<u>(326,009)</u>
Net change in cash balances	(120,836)	261,311	140,475
Cash balances beginning of year, as restated	<u>1,126,944</u>	<u>994,944</u>	<u>2,121,888</u>
Cash balances end of year	<u>\$ 1,006,108</u>	<u>1,256,255</u>	<u>2,262,363</u>
Cash Basis Fund Balances			
Restricted:			
Nonexpendable:			
Utility deposits	\$ 29,114	25,320	54,434
Expendable:			
Debt service	230,587	0	230,587
Unrestricted	<u>746,407</u>	<u>1,230,935</u>	<u>1,977,342</u>
Total cash basis fund balances	<u>\$ 1,006,108</u>	<u>1,256,255</u>	<u>2,262,363</u>

See notes to financial statements.

**CASCADE MUNICIPAL UTILITIES  
(COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**(1) Summary of Significant Accounting Policies**

Cascade Municipal Utilities is a component unit of the City of Cascade, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Utilities is governed by a three member board of trustees appointed by the City Council. The Utilities provides electric and gas utilities for the citizens of Cascade.

**A. Reporting Entity**

For financial reporting purposes, Cascade Municipal Utilities has included all funds, organizations, agencies, boards, commissions and authorities. The Utilities has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utilities are such that exclusion would cause the Utilities' financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and [1] the ability of the Utilities to impose its will on that organization or [2] the potential for the organization to provide specific benefits to or impose specific financial burdens on the Utilities. The Utilities has no component units which meet the Governmental Accounting Standards Board criteria.

**B. Basis of Presentation**

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the Utilities. For the most part, the effect of interfund activities has been removed from this statement. Activities between the Utilities and the City of Cascade are reported as if they are external transactions and are classified separately from internal activities within the Utilities.

The Statement of Activities and Net Assets presents the Utilities' non-fiduciary net assets. Net assets are reported in three categories:

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the Utilities, including customer deposits.

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1] charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2] grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Note proceeds and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Major individual enterprise funds are reported as separate columns in the fund financial statement.

The Utilities reports the following major proprietary funds:

The Enterprise, Electric Fund accounts for the operation and maintenance of the Utilities' electric system.

The Enterprise, Gas Fund accounts for the operation and maintenance of the Utilities' natural gas distribution system.

C. Measurement Focus and Basis of Accounting

Cascade Municipal Utilities maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Utilities are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) **Cash and Pooled Investments**

The Utilities' deposits in banks at June 30, 2012, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utilities is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Utilities Board; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utilities had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$ 1,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The Utilities' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utilities.

Credit risk - The Utilities' investment in the Iowa Public Agency Investment Trust is unrated.



### (3) Notes Payable

Annual debt service requirements to maturity for revenue notes are as follows:

Year Ended June 30,	Electric Revenue Notes	
	Principal	Interest
2013	\$ 135,000	61,792
2014	135,000	59,903
2015	140,000	57,540
2016	140,000	54,740
2017	145,000	51,660
2018-2022	775,000	192,517
2023-2025	<u>545,000</u>	<u>44,595</u>
Total	<u>\$ 2,015,000</u>	<u>522,747</u>

The resolution providing for the issuance of the revenue notes include the following provisions:

- [a] The notes will only be redeemed from the future earnings of the electric utility and the note holders hold a lien on the future earnings of the utility. The notes are callable June 1, 2017 at par.
- [b] Sufficient monthly transfers shall be made to an electric revenue note sinking account for the purpose of making the note principal and interest payments when due.
- [c] Additionally, \$ 230,587 has been set aside from the note proceeds to create a principal and interest reserve account. These funds are set aside for the purpose of making principal and interest payments when funds are not sufficient in the sinking account.

### 4) Pension and Retirement Benefits

The Utilities contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan member and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS; P.O. Box 9117; Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the Utilities is required to contribute 8.07% of covered salary. Contribution requirements are established by state statute. The Utilities' contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$ 23,532, \$ 19,168, and \$ 18,133, respectively, equal to the required contributions for each year.

**5) Other Post-employment Benefits (OPEB)**

Plan Description - The Utilities operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 6 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utilities.

The Utilities finance the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utilities and plan members are \$ 280 for single coverage and \$ 640 for family coverage. For the year ended June 30, 2012, the Utilities contributed \$ 46,976 and plan members contributed \$ 5,467.

**6) Compensated Absences**

Utilities' employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Utilities until used or paid. The Utilities' approximate liability for earned vacation termination payments payable to employees at June 30, 2012, primarily relating to the Electric Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 16,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

**7) Related Party Transactions**

The Utilities received \$ 105,779 for gas, electric and collection services from the City of Cascade for the fiscal year ended June 30, 2012.

The Utilities paid \$ 3,985 for shared supplies and lighting in the gym to the City of Cascade for the fiscal year ended June 30, 2012.

**(8) Risk Management**

Cascade Municipal Utilities is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utilities assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage in any of the past three fiscal years

**(9) Concentration of Credit Risk**

The Utilities grants credit to its customers, all of whom are located in the municipal service area.

**(10) Prior Period Adjustment**

The Utilities discovered that cash was understated \$ 7,576 at June 30, 2011. This resulted in net assets in the statement of activities and net assets - cash basis and the fund balance of the enterprise, gas fund column of the statement of cash receipts and disbursements and changes in cash balances being understated \$ 7,576 at June 30, 2011. In addition, the change in cash basis net assets in the statement of activities and net assets - cash basis and the excess of receipts over disbursements in the enterprise, gas fund column of the statement of cash receipts, disbursements and changes in cash balances were understated \$ 7,576 for the year ended June 30, 2011.

## OTHER INFORMATION

CASCADE MUNICIPAL UTILITIES  
 (COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
 BUDGETARY COMPARISON SCHEDULE  
 OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES  
 BUDGET AND ACTUAL (CASH BASIS) -  
 ALL PROPRIETARY FUNDS  
 OTHER INFORMATION  
 Year Ended June 30, 2012

	Proprietary Funds <u>Actual</u>	Budgeted Amounts	Budgeted to Actual <u>Variance</u>
Receipts:			
Use of money and property	\$ 25,481	5,800	19,681
Charges for service	2,713,895	2,882,005	(168,110)
Miscellaneous	<u>51,096</u>	<u>30,000</u>	<u>21,096</u>
Total receipts	2,790,472	2,917,805	(127,333)
Disbursements:			
Business type activities	<u>2,649,997</u>	<u>2,826,344</u>	<u>176,347</u>
Excess of receipts over disbursements	140,475	91,461	49,014
Balances beginning of year, as restated	<u>2,121,888</u>	<u>1,413,552</u>	<u>708,336</u>
Balances end of year	<u>\$ 2,262,363</u>	<u>1,505,013</u>	<u>757,350</u>

See accompanying independent auditor's report and notes to other information - budgetary reporting.

**CASCADE MUNICIPAL UTILITIES  
(COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)**

**NOTES TO OTHER INFORMATION -  
BUDGETARY REPORTING  
Year Ended June 30, 2012**

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The approved budget is then presented to the Cascade City Council for final approval. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

## SUPPLEMENTARY INFORMATION

CASCADE MUNICIPAL UTILITIES  
 (COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
 STATEMENT OF INDEBTEDNESS  
 Year Ended June 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>
Revenue note:				
Electric	Jan. 27, 2011	1.20 - 4.10%	\$ 2,275,000	2,145,000

	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
Revenue note: (continued)				
Electric (continued)	\$ 0	130,000	2,015,000	63,353

See accompanying independent auditor's report.



CASCADE MUNICIPAL UTILITIES  
 (COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
 NOTE MATURITIES  
 June 30, 2012

Year Ending June 30,	Revenue notes	
	Electric	
	Issued Jan. 27, 2011	
	Interest Rates	Amount
2013	1.40%	\$ 135,000
2014	1.75	135,000
2015	2.00	140,000
2016	2.20	140,000
2017	2.55	145,000
2018	2.90	145,000
2019	3.15	150,000
2020	3.40	155,000
2021	3.60	160,000
2022	3.75	165,000
2023	3.90	175,000
2024	4.00	180,000
2025	4.10	<u>190,000</u>
Total		<u>\$ 2,015,000</u>

See accompanying independent auditor's report.

STEVEN S. CLAUSEN, CPA

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Elkader, Iowa 52043

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of the  
Cascade Municipal Utilities:

We have audited the accompanying financial statements of the business type activities and each major fund of Cascade Municipal Utilities, component unit of the City of Cascade, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the Utilities' basic financial statements as listed in the table of contents and have issued our report thereon dated December 4, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the Cascade Municipal Utilities is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Cascade Municipal Utilities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cascade Municipal Utilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cascade Municipal Utilities' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Cascade Municipal Utilities' financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cascade Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance or other matters that are required to be reported under Government Auditing Standards.

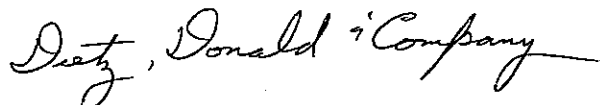
Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and customers of Cascade Municipal Utilities and other parties to whom Cascade Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Cascade Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

December 4, 2012



Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

CASCADE MUNICIPAL UTILITIES  
(COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2012

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses were identified.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CASCADE MUNICIPAL UTILITIES  
(COMPONENT UNIT OF THE CITY OF CASCADE, IOWA)  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12 Certified Budget - Disbursements during the year ended June 30, 2012, did not exceed the amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- II-B-12 Questionable Disbursements - No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- II-C-12 Travel Expense - No disbursements of Utilities money for travel expenses of spouses of Utilities' officials or employees were noted. No travel advances to Utilities' officials or employees were noted.
- II-D-12 Business Transactions - No business transactions between Utilities and Utilities' officials or employees were noted.
- II-E-12 Bond Coverage - Surety bond coverage of Utilities' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-12 Board Minutes - No transactions were found that we believe should have been approved in the board minutes but were not.
- II-G-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities' investment policy were noted.
- II-H-12 Revenue Notes - No instances of non-compliance with the revenue note resolutions were noted.